



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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Sacramento
California 95814

BETTY T. YEE
Acting Member, BOE
First District

RAMON J. HIRSIG
Executive Director

FOR IMMEDIATE RELEASE

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**BOARD OF EQUALIZATION WILL REVIEW
FLAVORED MALT BEVERAGE TAXES**

Acting Member Betty T. Yee announced that after hearing testimony from students, public interest groups and representatives from the alcohol industry, the Board of Equalization today voted to look into the classification of flavored malt beverages and their taxation under California law.

The Board heard from several speakers in a Sacramento hearing yesterday, some raising concerns that the beverages should be classified and taxed differently according to state law. Speakers also discussed possible effects on underage drinking, and what new tax rates would mean to establishments that sell alcoholic beverages.

“There are legitimate questions about how these products are treated under state law,” said Yee. “We need to explore the issues and concerns raised, and determine the best course of action.”

Students from the California Youth Council petitioned the Board in November to review its taxation of flavored malt beverages, prompting this week’s hearing in Sacramento.

Today’s vote does not change tax rates or regulations. Instead, it directs Board of Equalization staff to hold a series of public meetings with taxpayers, interested parties, and industry officials to discuss tax rates and product classification. Staff will then offer recommended alternatives to the Board.

Flavored malt beverages are currently classified as beer by the Department of Alcohol and Beverage Control. The Board of Equalization has historically followed the Department’s classification for tax purposes. State law taxes beer at \$.20 per gallon. If flavored malt beverages are reclassified as distilled spirits, the products would be taxed at \$3.30 per gallon.

The Board’s vote was 3-2, with Chairman John Chiang, State Controller Steve Westly, and Acting Board Member Betty T. Yee voting to support. Dissenting were Members Bill Leonard and Claude Parrish.

Acting Board Member Betty T. Yee, of San Francisco, assumed the First District seat on the Board of Equalization in 2004.

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

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